

Individual Income Tax Relief Credit and Oil Extraction Tax “Trigger”

Government Finance Committee Meeting
April 27, 2022



Tax Commissioner Brian Kroshus

Individual Income Tax Relief Credit – HB 1515

Individual income tax credit
for tax years 2021 & 2022

- Must be a full-year North Dakota resident
- Must have a tax liability (before any credits)

Up to a maximum of:

- **\$350** for individuals
- **\$700** for married (filing jointly)

Income Tax Relief Credit is:

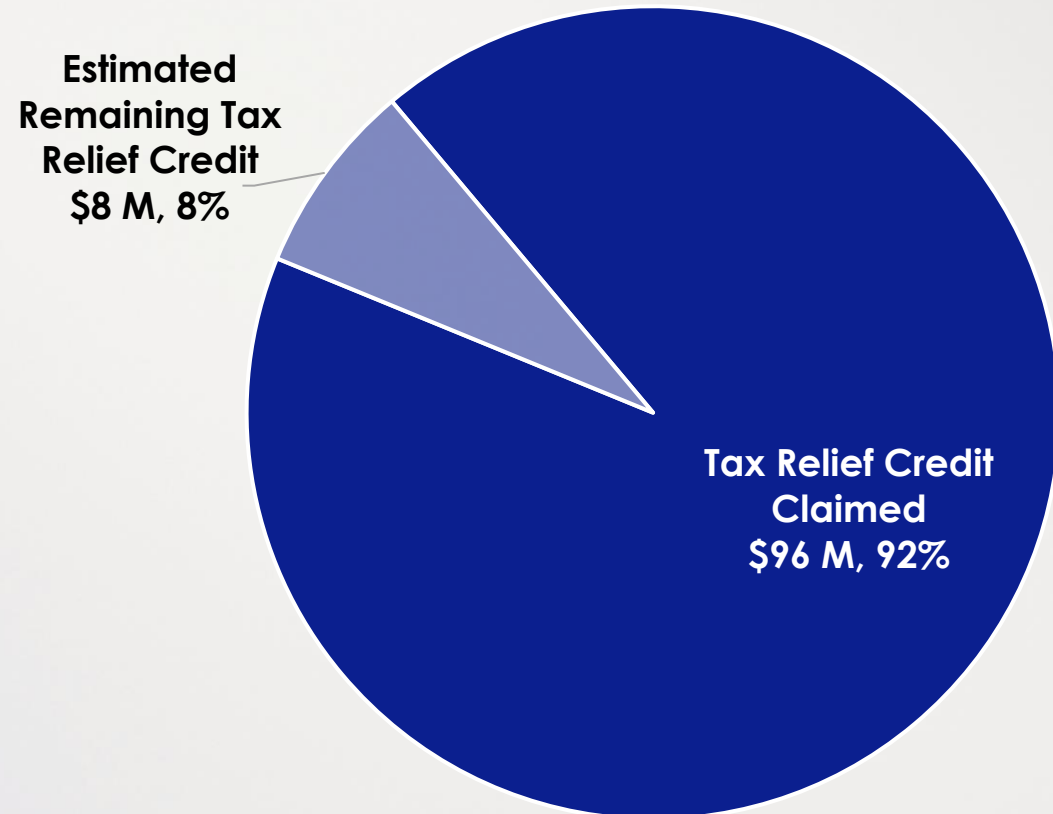
- Non-refundable – applied only to income tax liability
 - If you have \$100 tax liability – you receive \$100 credit
- Cannot be carried forward to future years

Income Tax Credit Fiscal Impact

Estimated fiscal impact for
2021-2023 = **\$211 million**

- \$104 million for FY 2022
- \$107 million for FY 2023

Tax Relief Credit Claimed of \$104 M
(as of 4/26/22)



Number of Eligible Returns (as of 4/26/2022)

Filing Status	Total Number of Returns Received	Non-Resident Returns Received	Full-Year Resident Returns with Zero Tax Liability	Returns Eligible for the Credit
Married Filing Joint	152,777	36,368	10,481	105,928
Other Filers*	227,007	41,003	38,842	147,162
Total	379,784	77,371	49,323	253,090

*Other filers include individuals with the filing status of single, head of household, qualifying widow(er), or married filing separately.

Tax Relief Credit Amount (as of 4/26/2022)

Filing Status	Returns Eligible for Credit	Returns Claiming Partial Credit	Returns Claiming the Full Credit	Tax Relief Credit Amount
Married Filing Joint	105,928	42,487	63,441	\$60,109,231
Other Filers*	147,162	85,278	61,884	\$35,961,015
Total	253,090	127,765	125,325	\$96,070,246

*Other filers include individuals with the filing status of single, head of household, qualifying widow(er), or married filing separately.

Oil Extraction Tax “Trigger”



Trigger Requirements & Effects

Trigger price for 2022: \$94.69

- Price must be exceeded for 3 months in a row
- Triggers “off” when price is below \$94.69 for 3 months in a row
- Average price calculation is based on the NYMEX West Texas Intermediate Crude Oil in the Wall Street Journal, Midwest edition

When trigger is in effect:

- Oil Extraction Tax rate increases from 5% to 6% (a 20% tax increase)

Effective Date

- June 2022 is the earliest the trigger can be in effect.
 - March – average monthly price was \$108.94

Production to Distribution

Month 1 – Production (June)



Month 2 – File tax returns and make payment (July)



Month 3 – Revenue is Distributed (August)

Revenue Impact

- March tax returns and payments = \$111,928,845.
 - This was for February production.
 - The average monthly price in February was \$91.72.

Trigger Effect

- ***If*** the trigger had been on for February production, March tax returns and payments = \$134,314,614.
 - 20% increase compared to the trigger not being on.

Revenue Distribution

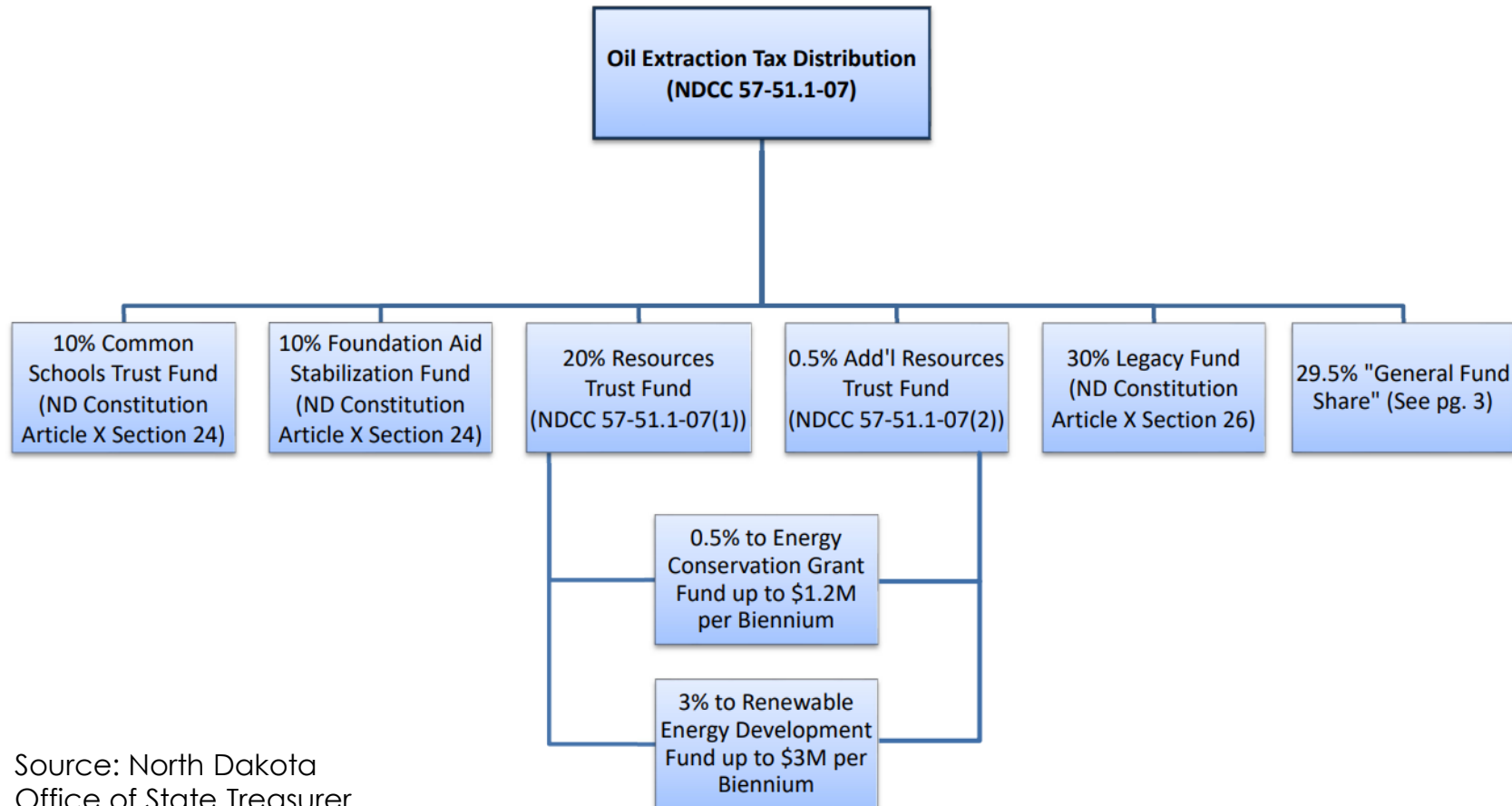
Office of State Treasurer

Phone: 701-328-2643

Website: www.treasurer.nd.gov

North Dakota

Oil Extraction and Gross Production Distribution Fiscal Years 2022 and 2023



Note: The trigger does not affect the distribution. The dollar amounts may increase, but the distribution rates remain the same.

Source: North Dakota
Office of State Treasurer